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**NSTAR Electric & Gas Corporation**

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January 25, 2002

Mary L. Cottrell, Secretary  
Department of Telecommunications & Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, Massachusetts 02110

Re: Cambridge Electric Light Company  
D.T.E. 01-94

Dear Madam Secretary:

Cambridge Electric Light Company (the "Company") is pleased to supply its responses to the information requests listed on the attached sheet.

Sincerely,

A handwritten signature in black ink that reads "John Cope-Flanagan". The signature is written in a cursive, flowing style.

John Cope-Flanagan

Enclosures

cc: Jesse S. Reyes, Hearing Officer (2 copies)  
Esat Serhat Guney, Analyst  
Joseph Tiernan, Analyst  
Joseph Rogers, Assistant Attorney General  
Carrol R. Wasserman, Esq.  
David Rosenzweig, Esq.  
Stephen Klionsky, Esq.

Responses to Information Requests

AG-1-1  
AG-1-5  
AG-1-6  
AG-1-7  
AG-1-8  
AG-1-9  
AG-1-10  
AG-1-13  
AG-1-16  
AG-1-17  
AG-1-19  
AG-1-21  
AG-1-22  
AG-1-23  
AG-1-24  
AG-1-28  
AG-1-29  
AG-1-31  
AG-1-32  
AG-1-33

January 25, 2002

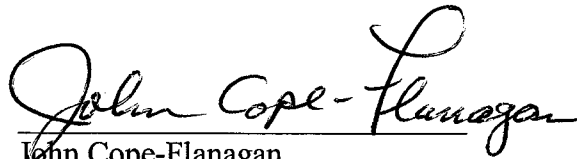
**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

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Cambridge Electric Light Company )  
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D.T.E. 01-94

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing responses to information requests in accordance with department rules.



John Cope-Flanagan

Attorney for  
NSTAR Electric & Gas Corporation  
800 Boylston St., Floor 17  
Boston, MA 02199

DATED: January 25, 2002

Information Request AG-1-1

Please provide the Company's best estimates of the milestone dates associated with divestiture transaction on a time line. Please include a schedule of the currently expected filing dates with all regulatory agencies, the approval dates from each agency and the approval dates of all other necessary agreements and contracts.

Response

Please see Attachment AG-1-1.

The Following Regulatory Approvals Will Be Sought in Connection With the Sale of Vermont Yankee Nuclear Power Station and Related Assets to Entergy Nuclear Vermont Yankee, LLC (other than before the MDTE)

<b>Regulatory Body</b>	<b>Request</b>	<b>Requesting Parties</b>	<b>Filing Date</b>	<b>Expected Approval Date</b>
Vermont Public Service Board	Petitions for Certificate of Public Good, approval of sale of assets, pledge, and findings	Vermont Yankee Nuclear Power Corporation (Vermont Yankee), Entergy Nuclear Vermont Yankee, LLC (Entergy), Entergy Nuclear Operations, Inc. (ENO), Central Vermont Public Service Corp (CVPS), Green Mountain Power Corporation (GMP)	September 27, 2001	May, 2002
Federal Energy Regulatory Commission ("FERC")	Joint Application for Authorization to Transfer Jurisdictional Facilities. Application for authorization for Vermont Yankee to divest and for Entergy to purchase the Vermont Yankee Nuclear Power Station and its associated jurisdictional assets	Vermont Yankee, Entergy	October 12, 2001	Late January, 2002
FERC	Acceptance of Amendatory Agreements modifying wholesale power contracts, and rate decrease	Vermont Yankee	October 31, 2001	January, 2002

**D.T.E. 01-94**  
**Attachment AG-1-1**

<b>Regulatory Body</b>	<b>Request</b>	<b>Requesting Parties</b>	<b>Filing Date</b>	<b>Expected Approval Date</b>
FERC	Determination of Status as an Exempt Wholesale Generator as defined in Section 32 of PUHCA	Entergy	November 20, 2001	Letter order issued January 4, 2002 finding Entergy to be an EWG
FERC	Request for Authorization to Sell Energy, Capacity and Ancillary Services at Market-Based Rates, and authorization for reassignment of transmission capacity under a market rate tariff, a code of conduct, and a long-term power purchase agreement	Entergy	December 19, 2001	mid-February, 2002
Nuclear Regulatory Commission (NRC)	Application for an order approving the transfer of the facility operating license for the Vermont Yankee Nuclear Power Station from VYNPC to Entergy and ENO, and conforming license amendments	Vermont Yankee; Entergy, ENO	October 5, 2001	April, 2002
Securities and Exchange Commission	Application/Declaration on Form U-1	Vermont Yankee, Northeast Utilities, National Grid USA and National Grid Group plc	January 11, 2002	May, 2002

**D.T.E. 01-94**  
**Attachment AG-1-1**

<b>Regulatory Body</b>	<b>Request</b>	<b>Requesting Parties</b>	<b>Filing Date</b>	<b>Expected Approval Date</b>
Federal Trade Commission and Department of Justice	Pre-Merger Filing	Vermont Yankee, Entergy	January or February, 2002	30 days after filing
Internal Revenue Service	Joint filing of ruling request that pertains to federal tax consequences of sales transaction	Vermont Yankee, Entergy	October 31, 2001	March, 2002
Connecticut Department of Public Utilities Control	Filing with respect to CL&P stranded cost recovery docket	Connecticut Light and Power (CL&P)	November 21, 2001	March, 2002
Massachusetts Department of Telecommunications and Energy	Filing for approval of 2001 Amendatory Agreement with Vermont Yankee Nuclear Power Corporation	Cambridge Electric Light Company	November 2, 2001	Spring 2002
Massachusetts Department of Telecommunications and Energy	Filing for approval of 2001 Amendatory Agreement with Vermont Yankee Nuclear Power Corporation	Western Massachusetts Electric Company	November 19, 2001	Spring 2002

Information Request AG-1-5

If any, please provide copies of the Supplemental Bids of the bid finalists.

Response

No supplemental bids were received after the binding bids were received.



Information Request AG-1-6

Please also provide a chart comparing those terms of each of the Supplemental Bids that the Company believed were most important in determining the outcome of the bidding process.

Response

No supplemental bids were received after the binding bids were received.

Information Request AG-1-7

Please provide a complete and detailed description of all of the terms of the agreement with the buyer to transfer legal and regulatory liability associated with the with each facility and its operations to buyer, providing cites to the Sales Documents when applicable.

Response

A description of transferred liabilities is contained in Section 2.3 of the Purchase and Sale Agreement dated as of August 15, 2001 ("PSA"). The PSA is included in the Company's initial filing as Exhibit CEL-RHM-3.

Information Request AG-1-8

Please provide a complete and detailed description of all of the legal and regulatory liabilities associated with each generation facility and their operations that will remain with the Company after the sale of the unit.

Response

Please refer to Section 2.4 of the Purchase and Sale Agreement ("PSA") (Exhibit CEL-RHM-3). Two principal liabilities which are retained by Vermont Yankee Nuclear Power Corporation ("Vermont Yankee") are: (1) the Pre-1983, Department of Energy ("DOE") Spent-Nuclear-Fuel or "SNF" obligation and (2) the DOE Decontamination & Decommissioning Fee ("DOE D&D Fee").

Regarding the SNF, under the Nuclear Waste Policy Act of 1982, each nuclear utility was obligated to enter into a contract known as the "Standard DOE Contract" with DOE that provides for certain payments to DOE to compensate for the government's obligation to dispose of spent-nuclear fuel. These payments consist of a one-time fee for fuel consumed prior to April 7, 1983 (or the "One-time Fee"), which was either payable at that time or could be deferred, accruing interest at the Treasury bill rate, until the spent fuel is delivered to DOE (currently anticipated to be no earlier than 2008) and an on-going fee of 1 mill per kwh generated after that date, payable quarterly in arrears.

Vermont Yankee elected to defer payment of the One-time Fee rather than pay in advance and has been paying the generation fee as it comes due. To prepare for meeting the One-time Fee obligation when it becomes due, Vermont Yankee established an irrevocable grantor trust, the Spent Nuclear Fuel Disposal Trust (the "SNF Trust"), into which it has been making regular deposits to build the required fund. Currently, the assets in the SNF Trust amount to about \$113 million and the appreciated obligation for the One-time Fee amounts to about \$119 million. The earnings on the assets in the SNF Trust are expected to grow that fund so that it will equal or exceed the One-time Fee when it becomes payable to the DOE.

The PSA provides that the Standard DOE Contract, and all obligations thereunder accruing after the closing, will be assigned to Entergy. The PSA also provides that the One-time Fee is a liability retained by Vermont Yankee and that Vermont Yankee also retains the SNF Trust which secures that obligation.

Regarding the DOE D&D Fee, in October 1992, Congress passed the Energy Policy Act of 1992 (the "Act"). The Act requires, among other things, that certain utilities help pay for the cleanup of DOE's enrichment facilities over a fifteen-year period. The company's annual fee is based on its historical share of enrichment services provided by the DOE and is indexed to inflation. The Act stipulates that the annual fee shall be fully recoverable in rates in the same manner as other fuel costs. Vermont Yankee has retained the liability to pay this annual fee. However, this obligation terminates in 2006.

Information Request AG-1-9

Please explain what specific final bid changes to the Purchase and Sale were not acceptable to the Company and what accounted for any change in the final bidders supplemental bids, if any.

Response

Please compare the Purchase and Sale Agreement ("PSA") contained in Attachment AG 1-3(b), to the final PSA included as Exhibit CEL-RHM-3. Also see Attachment AG 1-4 and Attachment AG-1-26(g).

Information Request AG-1-10

Describe each significant stage of the bidding process to the acceptance of the winning bid. Please include a description of how bidders and bids were eliminated at each stage of the process to reach the accepted bid.

Response

The following is excerpted from the prefiled testimony of Paul Dabbar of JPMorgan, submitted by Vermont Yankee Nuclear Power Corporation (Vermont Yankee") to the Vermont Public Service Board on September 27, 2001:

The auction process can be broken down into four separate phases: planning, marketing, due diligence, and selection.

**Planning**

The auction process began with an information-gathering planning phase. During this time, Vermont Yankee discussed its auction objectives with JPMorgan...[W]e also reviewed certain terms previously recommended by the Vermont Department of Public Service ("DPS"), which could potentially be required for the DPS to recommend to [the] Board that it approve a proposed transaction as promoting the public good and as a result, incorporated these into the auction objectives. With the objectives in mind, JPMorgan recommended an auction process whereby each bidder would be allowed access to the Station and Vermont Yankee management before submitting a binding bid.

**Marketing**

Vermont Yankee launched the marketing phase of the auction process with a press release entitled "Vermont Yankee Nuclear Power Corporation retains JPMorgan to lead sale of Vermont Yankee Nuclear Power Station" on March 26, 2001. Vermont Yankee followed with an April 16, 2001, press release entitled "Vermont Yankee Nuclear Power Corporation announces auction of Vermont Yankee Nuclear Power Station / interested parties are asked to contact JPMorgan." During this time, JPMorgan solicited interest from entities believed to be potential bidders, based upon their participation in the nuclear industry as current owners, managers, or manufacturers. This initial solicitation encompassed a broad array of companies in the energy industry, including existing nuclear-plant owners, generating companies, and nuclear-equipment suppliers. With this initial solicitation, JPMorgan distributed a marketing letter, describing the opportunity, and a

Confidentiality Agreement, which along with other criteria allows access to non-public information, to this marketing group.

### **Due diligence**

The beginning of the due diligence, which proceeded concurrently with the solicitation efforts I have described, involved the preparation of a confidential-offering memorandum that described the assets and the auction process in detail. The offering memorandum was provided to potential bidders that met the requirements established by JPMorgan for eligibility to participate in the auction. To be eligible, potential bidders were required to sign a Confidentiality Agreement prepared by JPMorgan and to submit technical and financial qualifications that demonstrated their ability to purchase and operate the Vermont Yankee Nuclear Power Station, which are referred to as "Bidder Qualifications."

Bidders meeting these eligibility requirements received a copy of the offering memorandum and several CDs containing a large majority of the information available in the Vermont Yankee data room and a list of answers to "frequently asked questions."

Most of the due diligence in the auction process was intended to occur, and did occur, during the period leading up to the date designated for bid submittal, to which I refer as the "Due Diligence Phase". Bidders were invited to submit confidential questions regarding the assets to Vermont Yankee through JPMorgan. Answers were provided only to the bidder that submitted the particular question. During the Due Diligence Phase, bidders also participated in individual pre-bid meetings during which major topics were presented, additional questions were addressed, and bidders were given the opportunity to make a site visit.

In addition, during the Due Diligence Phase drafts of the PSA, the Interconnection Agreement and PPA, referenced in my testimony as the "Definitive Agreements," were provided to bidders. Bidders were given an opportunity to submit two rounds of comments on those drafts. The first round of comments took place before bids were submitted. To the extent that bidders' first-round comments were accepted by Vermont Yankee, they were incorporated into marked versions of the Definitive Agreements that were provided to bidders before their bids were due. In the second round of comments, bidders submitted any requested changes to the revised Definitive Agreements in their bid packages.

## **Selection**

Once the bids were received, JPMorgan evaluated the financial terms of the bids and presented its recommendation to the Vermont Yankee Board of Directors. Similarly, Downs Rachlin & Martin PLLC and Ropes & Gray—the two law firms retained by Vermont Yankee for this transaction—evaluated the legal terms of the bids and presented their findings to Vermont Yankee’s board. Informed by the financial and legal recommendations of its advisors, Vermont Yankee’s board voted to pursue negotiations with Entergy. Negotiations of contract and financial terms continued through August 14, 2001. On the morning of August 15, 2001, Vermont Yankee and Entergy entered into a Purchase and Sale Agreement for the Station.



Information Request AG-1-13

Please provide copies of all bidders questions and the answers regarding any form of any agreement to sell back to the Companies the capacity, energy or any combination of capacity and energy from any unit that the Company has divested. Were answers to bidder questions provided to all bidders? If not, why not?

Response

JPMorgan has informed us that to the best of its recollection, no bidder asked any specific question regarding the agreement to sell back energy to Vermont Yankee Nuclear Power Corporation. The Offering Memorandum, Bid Letter, and draft Power Purchase Agreements ("PPA") contained forms of a PPA, and information with respect to the PPA options requested.

Information Request AG-1-16

Please provide NStar's current estimate of the adjustments, e.g., inventory, funding, D&D, to the Total Gross proceeds to be received as a result of the sale. Please describe, itemize and quantify the costs associated with each of those adjustments and provide all workpapers, calculations, formulas, assumptions, and supporting documentation.

Response

A description of required adjustments is contained in Section 3.3 of the Purchase and Sale Agreement (Exhibit CEL-RHM-3). Vermont Yankee and its Sponsor companies do not currently have an estimate of adjustments. Adjustment amounts could vary significantly depending on the closing date.

Information Request AG-1-17

Please provide Cambridge's current estimate of the Transaction Costs to be incurred as a result of the sale of its generation assets. Please describe, itemize and quantify each of these costs.

Response

The Company's current estimate of Transaction Costs relating to the sale of the Vermont Yankee Nuclear Power Station is \$8.0 million; the Company's 2.5 percent share would be \$200,000. These Transaction Costs have been estimated by Vermont Yankee and are comprised of:

Auctioneer (JP Morgan)	\$3.0 million
Professional Services (legal, accounting, VY staff)	\$5.0 million

Please note that the above does not include any costs associated with the redemption of Vermont Yankee's existing First Mortgage bonds, such costs being highly dependent on interest rate levels at the time of closing.

Information Request AG-1-19

Please provide a list of all other auctions of electric utility generating facilities that have been managed or conducted by J.P. Morgan and list (1) the name of the utility whose assets were sold; (2) the winner bidder(s); (3) the MW of capacity that were sold; (4) the price paid for that capacity; (5) the date that the transaction was completed.

Response

The list below represents all sales of electric generating facilities, auction or otherwise, in which JPMorgan has had an advisory role:

Facility	(1) Seller	(2) Buyer	(3) MW	(4) Price	(5) Date (anncd)
<i>Sell-side assignments</i>					
Millstone	NU, UIL, others	Dominion	1,953	\$1,298	8/7/00
Indian Point 3; Fitzpatrick	NYPA	Entergy	1,780	967	3/10/00
Nine Mile Point 1 & 2	NiMo, NYSEG	Constellation	941	903	12/12/00
CL&P Hydro System	CL&P	Northeast Generating	2,658	866	7/6/99
Four Corners, Palo Verde	Southern Cal Edison	Pinnacle West	1,356	550	4/28/00
CL&P Fossil	CL&P	NRG Energy	4,470	460	7/6/99
Scott cogen facility	Scott	Southern Company	105	350	10/24/94
AEP Frontera station	AEP	TECO	500	265	2/08/01
Gas & biomass plants	Thermo Ecotek	AES	506	210	2/13/01
Vermont Yankee	VYNPC	Entergy	510	180	8/15/01
PPL coal plants	PPL	WPS	389	106	5/25/99
Clinton	Illinova	AmerGen	940	80	6/30/99
MA Fossil & Hydro plants	WMECO	ConEd	290	47	1/22/99
Seabrook Station	NU, others	NA	1,162	NA	NA
<i>Buy-side assignments</i>					
ComEd midwest plants	ComEd	Edison Mission Energy	9,772	4,813	3/23/99
Sithe fossil & hydro plants	Sithe Energy	Reliant Energy	4,262	2,100	2/22/00
Montana portfolio	Montana Power	PPL	1,556	932	11/1/98
LS Power portfolio	LS Power	NRG Energy	5,691	658	11/6/00
Montana coal plants	Pugent Sound Energy	PPL	735	461	11/1/98
NiMo coal	Niagra Mohawk	NRG Energy	1,360	355	12/23/98
Pacificorp portfolio	Pacificorp	NRG Energy	210	200	10/1/97

Information Request AG-1-21

Please provide the correspondence or other documentation in which the short list of bidders was invited to make binding proposals in Round Two.

Response

Because there was one round of bidding in the Vermont Yankee auction, all bidders were encouraged to submit binding bids for the Vermont Yankee Nuclear Power Station.

Information Request AG-1-22

Please provide the following documents:

- (a) Provide copies of all questions received by J.P. Morgan in Round Two.
- (b) Provide copies of the responses provided by J.P. Morgan and the Company's Sell Team in response to the questions received during Round Two.

Response

Please note that there was only one round of binding bids, without a preliminary round of indicative bids.

Information Request AG-1-23

Please provide copies of the notes, minutes, summaries, and reports of the post-bid negotiations with the highest bidders. Also provide copies of the presentations made at and the documents circulated or distributed at these negotiations.

Response

Please see the responses to Information Request AG-1-20(g) and Information Request AG-1-26.

Information Request AG-1-24

Please provide copies of the notes, minutes, summaries, and reports of the concluding negotiations with the Buyers. Also provide copies of the presentations made at these concluding negotiations and the documents circulated or distributed at these concluding negotiations.

Response

Please see the response to Information Request AG-1-23.



Information Request AG-1-28

Please produce copies of all bid requests sent and bid responses received by J.P. Morgan regarding the auction sale of Vermont Yankee Nuclear Power Station.

Response

Please see the responses to Information Request AG-1-3 and Information Request AG-1-12.

Information Request AG-1-29

Please produce copies of all bid reports, analyses and memorandums prepared by J.P. Morgan, or on its behalf, regarding the auction sale of Vermont Yankee Nuclear Power Station. Include in this response all evaluations, studies, reports work papers, calculations and assumptions related to the bid responses.

Response

Please see the responses to Information Request AG-1-4 and Information AG-1-18.

Information Request AG-1-31

Please explain the criterion used by J.P. Morgan to create the list of recipients for the bid requests regarding the auction sale of Vermont Yankee Nuclear Power Station.

Response

JPMorgan created a list of companies spanning a universe which included recent purchasers of nuclear facilities; companies expressing interest in expanding their nuclear presence; current owners of nuclear generation; current managers of nuclear generation; and manufacturers of nuclear equipment. Additionally, JPMorgan solicited public interest for bid requests through a press release dated April 16, 2001. Above all, any bidder advancing into the auction process was required to possess qualifications outlined in Attachment AG-1-26(d).

Information Request AG-1-32

Did J.P. Morgan and / or the Cambridge Electric Light Company, including any corporate affiliates, subsidiaries and parents, have any oral communications with bidders or potential bidders regarding the auction sale of Vermont Yankee Nuclear Power Station? If so, please provide a written narrative of the communications, including the date, names of participants and a detailed description of the subject matter of the communication.

Response

Numerous telephone conversations took place between JPMorgan and the interested parties (as listed in the response to Information Request AG-1-25). Such communication is standard during the due diligence phase of an auction process, and as such, no record was kept of specific topics, dates, and names of participants. The auction was structured so as to ensure that bidders directed all communications through JPMorgan. Therefore, Cambridge Electric Light Company did not have any communication with any of the interested parties.

Information Request AG-1-33

Are there any financial or other benefits that may accrue to J. P. Morgan, including any corporate affiliates, subsidiaries and parents or business partners, as a result of the auction sale of Vermont Yankee Nuclear Power Station? If so, please explain the benefit and produced copies of any related documents, for each entity.

Response

With the exception of the success fee due to JPMorgan from Vermont Yankee (described in full in Attachment AG-1-26(a)), JPMorgan and its corporate affiliates, subsidiaries, parent, and business partners will receive no financial or other benefits as a result of the auction sale of the Vermont Yankee Nuclear Power Station.